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Author:
Miller, Cyrus C.

Title:
Municipal market policy

Place:
New York

Date:
1912

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Business
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.M61 Miller, Cyrus Chace, 1866-
Municipal market policy, by Hon. Cyrus Miller... New York The City club of New York, 1912.
18p. 21cm.

RESTRICTIONS ON USE:

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FILM SIZE: 35 mm REDUCTION RATIO: 12x IMAGE PLACEMENT: IA (IIA) IB IIB

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Municipal Market Policy

By

HON. CYRUS C. MILLER

President, Borough of The Bronx

THE CITY CLUB OF NEW YORK

1912

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FOREWORD

The efficient distribution of the food supply of New York City is a problem today not only largely unsolved but just beginning to receive its due attention. President Cyrus C. Miller of the Borough of The Bronx has given the matter his serious attention, and his speech, herewith reprinted, embodies valuable information not at present available in other form.

The City Club has appointed a Special Committee on Market Policy, as follows:

Laurence L. Driggs, Chairman
Porter F. AtLee
Richard C. Harrison
Burdette G. Lewis

The Committee's preliminary investigation develops the following facts and tentative conclusions:

1. Administration of markets is divided among Borough Presidents, the Department of Finance and the Sinking Fund Commission. The City as a city can scarcely be said to have a market policy.

2. Not one of the regularly housed retail markets conducted by New York City brings in a profit. The City is acting as a charitable landlord at an annual loss of from $2,000 in Jefferson market to $40,000 in Gansevoort market.

3. These markets do not bring consumer and producer together.

4. The wholesale exchange of food supply is largely regulated by the steampship and railroad companies.

5. Such wholesale markets as the City has established are conducted at a profit.

6. The institution of properly located wholesale markets controlled by the City would seem to be the policy for the future. By such proper location to transit and transfer facilities, the cost of handling can be reduced, one or more sets of middlemen made unnecessary, and the City's food supply be more adequately collected and inspected.

Criticisms and suggestions will be welcomed by the Committee.

THE CITY CLUB OF NEW YORK.

May 1, 1912.

MUNICIPAL MARKET POLICY

by

HONORABLE CYRUS C. MILLER,
President, Borough of The Bronx.

During the past twenty-five years the world has progressed with discoveries of all sorts to benefit the human race. Much has been done in the science of municipal government; much has been done in the physical upbuilding of our city, and yet I venture to say that little, if anything, has been done in that time to improve the distribution of farm products quickly and cheaply among consumers in the City of New York. The City has outgrown its distributing facilities. To the first cost of farm products must be added the unnecessary cost of crude methods of distribution. This adds to the cost of living and tends to under-consumption of products. The more a man must pay for his food, the less he uses of it. With better distributing facilities our citizens could get their food more cheaply and therefore have more of it and greater variety for the same amount of money that they now spend. The middleman, who is blamed for much of the increase in the cost of farm products, is the victim of a bad system. To the profit which he must make to enable him to live, he must add all the cost of trucking, storage and various other charges which are not a profit to him, but which go to make his toll higher.

In the Borough of Manhattan from 110th Street north to the Harlem River there are 810,000 people; in the Borough of The Bronx there are 450,000 people; and in New Rochelle, Mt. Vernon and Yonkers, there are approximately 130,000 more, making a total of 1,390,000 people, and this number is increasing rapidly. Within this thickly populated territory the facilities for distributing food supplies are little short of absurd. For instance, quantities of fish are brought in every day from New England to the freight terminal on the Harlem River, and because of the lack of marketing facilities there, must be loaded on a barge

and taken down to the fish market, to be sold there and carted back uptown. This is typical of the local condition that we hope to remedy by establishing in the lower Bronx, on the Harlem River, at a point of convenient access to the railroads and to communication by water, a municipal market or distributing depot for food products, that will bring the farmer and the consumer a step closer together and eliminate a few of the intermediate expenses that are increasing the cost of food. A similar wholesale distributing market probably will be necessary for every Borough, and perhaps two for Manhattan. Markets, to be of real value to the people, must be near the centers of population, as the present New York markets are not.

This is not a "muck-raking" movement directed against the middlemen. In the natural development of the organization of business the middlemen have attained their place in the distributing system, and in the complexity of modern conditions, they are a necessity. We cannot buy fresh fruit and vegetables directly from the producers in the middle of winter, because we are too far from the source of supply. There must be intermediate dealers, (1) and our only complaint is that their expenses are too high. One authority gives a number of instances of the piling up of intermediate charges, such as, Arkansas apples sold by the farmer last year for $1.50 a barrel and retailed in New York for $1.25 a dozen, or $35 a barrel; cauliflower sold by the farmer for one cent a head and retailed here for 15 cents a head, etc., etc. Whether we think that many of the middlemen are making too much money or not—and in spite of the popular outcry there are still many of us who do not think this—almost all will agree that for us here in New York food would cost less if passed through fewer hands and that prices would more easily adjust themselves to their proper levels if there were a central receiving and distributing depot where a steady supply of goods could be received in large quantities and all grades be sure of a market.

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(1) "Co-operation Among Consumers", by A. P. Hitchcock in Country Life in America, September 15, 1911.

Recent publications on the question of municipal markets for farm products may give the impression that such markets will remove the middleman. A person might gain merit for a minute in announcing that he had discovered a method whereby he could eliminate the middleman, but business is an unemotional thing full of hard facts, one of which is that the middleman will be here doing a middling (and perhaps first-class) business long after the voice of the person who has eliminated him has ceased to attract notice. Certain services of middlemen are necessary and in so far as they perform services, their existence will continue. For instance, the middlemen of New York finding that the potato crop last year was short, did not wait until prices soared to prohibitive figures in New York, but sent to Europe for supplies to fill the deficiency and imported a great quantity of potatoes, which have kept the market here somewhat near the normal. This is a distinct service which entitles the one performing it to reward. The shipper's agent who goes into the country and offers spot cash to the farmer for his products is likewise a middleman who under some circumstances performs a service. The farmer needs cash and is unwilling to take the chance of sending his goods to market so he accepts the offer of the shipper's agent. It may be that when a large market is established to which the farmer can send his produce direct, that the shipper's agent will be eliminated, but the probability is that cash will be just as potent in the years to come as it is now.

When money is scarce in this country so that our manufacturers find it hard to get it in order to carry on their work, the banker buys money in Europe, brings it here and sells it to our manufacturers, thereby relieving the strain on business. This is the work of a middleman and is a service for which the banker is paid. Theoretically there is nothing to prevent the borrower going directly to the lender, but it is not the rule of business. Brokers are necessary.

Middlemen also are necessary to select from the miscellaneous supplies in the market the grades and qualities needed by retail dealers and other large

buyers, such as hotels, railways and steamship lines. A prominent hotel man here told me recently that every morning his men go to the markets with ten thousand dollars to buy the day's supplies. It is obvious that these men have not the time to select from the miscellaneous supplies in the market the things they want. They probably will deal with the middlemen who will perform that service. The buyers for the large steamships probably will deal through the middlemen and it is not improbable that even the retailers themselves will find it more economic to have agents in the market who will buy at auction for them and distribute to them the quantities and qualities they need.

Where then is the saving to be made from the large municipal market? It is in the fact that all the unnecessary lighterage, trucking, handling and jobbing would be eliminated and a direct line made between the farm and the consumer. Also if the farmer is assured of a steady demand for his products at a fair price, he will raise them in greater quantity and will be able to sell them at a reasonable rate. The small toll which each man will impose for the necessary service which he renders is little indeed compared to the amount which is imposed now unnecessarily by reason of bad handling facilities. I believe that an average of forty-five per cent is added to the cost of the goods between the time they reach the City and the time they get to the consumer. In some instances this percentage is much larger. The prices of the goods in the market will be fixed by the auction sales, at which the retailer may buy if he wishes. But when extra services are rendered by the middlemen such as I have described, the buyer will pay an extra percentage for such services. In the complicated life of modern cities some middlemen are necessary. All that we can hope to do is to cut out the unnecessary ones and to limit the expenses of handling the goods.

(1) In an investigation into the cost of living made under the U. S. Department of Agriculture recently, comparative studies of price levels here and abroad show that prices at the present time are not as un-

(1) Address of Mr. G. K. Holmes.

reasonably high as is commonly supposed. They are high as compared with fifteen years ago, but at that time they were unusually low—it was a period of industrial depression. It is undoubtedly true that if there were less "unproductive consumption"—less money spent for momentary pleasures and unnecessary appliances of all kinds, many incomes that now barely cover running expenses could be made to cover those and an annual saving besides, and there might be less complaint about high prices. Those too who used to buy crackers from a barrel and now buy them wrapped in paraffin paper and put up in a pasteboard box, must remember that they are demanding more now than formerly in safeguards against unclean or unwholesome food, and that they must pay for such safeguards.

But even granting this, it is still true that the retail prices of many of the necessaries of life are too high. The eagerness with which pelple all over the country are supporting the various co-operative efforts to reduce prices in one line or another, show that they are realizing this. Last year an enterprising woman over in Brooklyn undertook to do the buying for six families, and found that a great saving could by made by more direct buying,—i.e., by eliminating one middleman. And only last week a plan was outlined in a newspaper, of some enterprising residents of Flatbush who are planning to start a co-operative store. Co-operative buying, however, is a superficial remedy. The real trouble is in the marketing of products. That is where the greatest loss comes.

(1) There are throughout the country a great many farmers' co-operative associations and their number is increasing every year, especially among the fruit-growers in the West. They combine for the purchase of supplies used in production and for standardizing the various processes in producing and shipping their crops. They have brought about great improvements in the methods of grading and packing fruit for market, but that is as far as they can go with their

(1) "Co-operation in the Handling and Marketing of Fruit", by G. H. Powell, in the U. S. Dept. of Agriculture Yearbook, 1910, p. 391.

organization. The next step is to provide distributing centers to which they may ship their produce and be assured of a market.

Up to the present time New York has been far behind many other cities in this country and almost every large city in Europe in her handling of the market situation,—in fact, she has not handled it at all. The markets that we have are far from the present centers of population and have gotten so out of repair and been so badly managed in recent years that they are of small service to the people of the City. At a hearing (1) before the Governor's Food Investigating Commission held on March 12th last, it was reported by the Superintendent of our markets that last year the City had a deficit of more than $80,000 on its markets.

As contrasted with our $80,000 market deficit last year the conditions in other cities are interesting. No American city has markets that will compare in careful organization and operation with the better ones of Europe—only a few have market buildings at all—but the reports show that Boston, for instance, nets a profit of $60,000 a year; Baltimore, $50,000 a year; and New Orleans, $79,000 a year on their markets. The (2) Superintendent of Markets of Buffalo reports that for the last fiscal year the receipts of their markets exceeded disbursements by $46,000. The City of Buffalo has just appropriated $100,000 to reconstruct one of its markets.

In some of these cities no attempt is made to operate the markets in such a way as to reduce prices to a minimum. Stalls are sublet at rentals greatly in advance of what the City receives and this of course tends to raise the prices of products. This is not allowed in Buffalo (3) markets; there any lessee found subletting his stall is deprived of his lease, and the stall is taken by the City and leased to another holder.

The City of Madison, Wisconsin, a city of 25,000

(1) New York Times, March 13, 1912.
(2) "Municipal Markets", by Don E. Mowry, in Municipal Journal and Engineer, October 23, 1907, p. 462
(3) Letter from Supt. Bergmann, March 6, 1912.

people, has (1) recently attacked the problem of the high cost of living by erecting at an expense of $55,000 a municipal market to which farmers or their representatives may come and sell their produce directly to retail dealers and consumers. They have put up a two-story concrete structure of attractive appearance, containing offices, retiring rooms, and lunch tables, besides a large open display floor and stalls for the marketmen,for the use of which small fees are charged. As a result it is said that prices have been lowered all over the city. Speculation in food products is prevented by a rule forbidding any one to sell in the market who is not a producer or who has not bought outside the city.

(2) In Fort Wayne, Indiana, they have built a "farmers' market" consisting of a colonnade 450 x 27 feet, extending along the front of two blocks, with pavilions at the ends for offices, etc. Between the columns are built concrete tables five feet long for the use of the marketmen, who back their wagons up to them. The buyers use the passage down the colonnade.

In planning such a municipal market as we have in view, much may be learned from a study of some of the systems in foreign cities. Most of the cities of Europe have market systems carefully worked out and efficiently administered.

(3) BERLIN—The city of Berlin has 14 public market halls, substantial brick buildings of one or more stories, located in different sections of the city, the first of which was opened in 1886. A report of the markets for 1910 gives the total value of the land, buildings and equipment as over $7,000,000. The trade in the markets is both wholesale and retail. The point of greatest interest for us is their central market hall. This is mainly a wholesale market and has direct connection with the Berlin City Railway, which has extensive sidetracks and unloading platforms and sheds. The trade there is in meat, fruit

(1) "A Small City's Market Place", by Don E. Mowry, in the American City for July, 1911.
(2) American City, IV:247.
(3) "Municipal Markets and Slaughterhouses in Europe", pub. by U. S. Dept. of Commerce and Labor, 1910. (Authority for most of what follows).

and vegetables. It is a main distributing center where producers may sell their wares directly or through one intermediary to the retail dealers or to consumers.

The Berlin markets are administered by a municipal market hall deputation composed of five members of the City Council and ten selectmen. They have jurisdiction over the care of buildings, fixing and collecting rentals and appointing the principal managing officials of the system, sales commissioners, etc. Their chief executive officer is a managing director, under whom are eight inspectors. There are also in each of the halls an overseer, watchmen, janitors and mechanics. The municipal sales commissioners, six in number, are bonded officials who are forbidden to be interested directly or indirectly in the trade that is carried on. They have offices in the main market hall and are allowed a certain fixed percentage of all sales made. They issue daily reports of prices and in this way act as a sort of check on the entire wholesale business.

The markets are maintained by the receipts from the rent of stalls and the income of a fund for their completion and maintenance. For the year 1910 the total receipts of the markets amounted to about $838,446, and the total expenditures for administration, interest and sinking fund amounted to $763,468, leaving a surplus for the year of $74,978. Every day they receive at the central hall from 50 to 150 carloads of produce. To meet the expenses of maintaining the unloading connections there is collected a municipal railway tax of about $1.50 per carload from those who receive the goods. The stall rents are the greatest source of income. In the cellars of some of the markets are refrigerating plants.

The sanitary regulations are strict and a careful police inspection is maintained to ensure their being carried out. The halls are ventilated by windows inside walls and roofs, no ventilating machines being used. All marketmen must unpack their wares at least once a week and decaying products are destroyed. One room in each hall is set aside for a sort of

hospital room for persons suddenly ill or injured, and one or more of the employees in each hall are instructed in the German Red Cross Service.

It has been found in the city of Berlin that while the demands of the wholesale trade are constantly increasing, so that now extensions of the main market hall and of the railway facilities are being planned, the local retail markets operated by the city are not so successful. This is due to changes in the character of neighborhoods from residential to business streets, and to the competition with street vendors, co-operative associations, and retail markets kept by private individuals. From 1900 to 1910 in Berlin the business of the city's local retail markets has steadily decreased and two of them have been closed.

COLOGNE—In the city of Cologne they completed in 1904 their first market hall, a one-story cement and stone building with a cold storage plant. It covers 8500 square yards and cost over a million dollars. This too has direct connection with the railways and does a large wholesale business,—a benefit to the retailers because of the possibility of direct buying. It is so far, however, from the centers of population that its large retail section is not very prosperous and the total return on the amount invested is small.

BUDAPEST—The market system of Budapest is in some respects model. It consists of a large central establishment devoted principally to wholesale operations, and six branch markets where the trade is generally retail. Produce reaches the city by wagon, boat and train. The central market is a large two-story fireproof building. In spite of the fact that very low rents are charged for stands, the receipts for 1906 (the atest figures available) exceeded expenditures by over $100,000.

The markets are under the contro' of a municipal commission which formulates the regulations, sanitary and administrative, governing them. These are admirably adapted to develop the highest degree of hygiene and efficiency. The commission also published a daily report of wholesale prices.

The low rentals charged for the stands enable the

marketmen to sell goods at a lower rate than that charged in the shops. One regulation forbids anyone renting a stall who has an outside shop for the sale of similar goods. The stocks of the marketmen are gratuitously insured against fire, but not to their full value.

VIENNA—Vienna has seven market buildings and about forty open-air market places. The buildings are large halls with stone floors and stalls partitioned off w th wire screening. The market halls are kept scrupulously clean and all goods sold are carefully inspected. The markets are regulated by municipal ordinances and are under the general supervision of market commissioners appointed by the municipality. The choosing of market places and market hours is done by the Board of Aldermen. The profit on the markets in Vienna in 1906 amounted to $61 000.

PARIS—There is probably no better organization to be found in any city than in the markets of Paris. Their market system is one of the most extensive and carefully administered institutions in Europe. One authority states that notwithstanding the large corps of officials necessary for such administration and the large profit that the markets annually yield the city—in 1906, it was $1,498,241—the work is all so efficiently done that the food prices are lower than in London, where the markets are not centralized, and contracts are let to individuals who act independently.

The Paris system includes 33 small public markets located throughout the city, supplied by a large central establishment known as the Halles Centrales. This consists of a group of ten buildings or pavilions, partly connected by roofs extending over the intervening streets, the whole occupying an oblong plot 22 acres in area. Their construction was begun in 1854 and they have cost for ground and buildings about $10,000,000. A majority of the pavilions are reserved for the wholesale trade. Underneath the pavilions are immense cellars for the storage of produce, which are divided into sections and leased to vendors. Goods are received, inspected, weighed and sold under constant official supervision. In the

year 1906 over 350,000 pounds of meat, 54,000 dozen eggs and large quantities of other provisions were seized and condemned by the inspectors as unfit for food. This is an indication of the vigilance with which the sanitary regulations are carried out. The volume of the wholesale business done at the Halles Centrales is indicated by the fact that in one year there were sold there over 113,000,000 pounds of meat, 47,000,000 pounds of poultry and game, 28,000,000 pounds of butter and 36,000,000 of eggs.

The market is administered under a decree issued by the President of the Republic in 1897, and is under the direct supervision of the Prefecture of Police. In order to be permitted to carry on a wholesale business in the Halles Centrales a man must be a French citizen, must never have been convicted of any offense reflecting on his integrity, and must have his name placed upon the approved list of the Tribunal of Commerce after investigation by the Prefecture of Police, and must deposit at the municipal treasury a guaranty or bond equal to the rental of the space during the preceding year, such guaranty to be in value not less than $1,000. The requirements for the retail dealers are simpler. The auction sales in the market are conducted by persons called "representatives of the shippers", who are appointed by the Prefecture of Police. They receive a percentage fixed by law of all sales made and are forbidden to have a personal interest of any kind in the trade carried on. Their books and records are always subject to inspection by the proper authorities. The market price in Paris is the price for the whole surrounding country. Special agents are engaged in reporting these prices to the neighboring districts. If a producer cannot go to market himself, the representative whom he chooses will ensure him the market price minus the small fee which he charges for selling.

The results of this system are beneficial in every way. Regularity of standards of price and quality are ensured, exchanges are for cash, and the products are guaranteed by good sanitary regulations efficiently carried out.

In Paris as in Berlin, it has been found that the large central market does a business that is increasing every year, but the local municipal retail markets are steadily decreasing in popularity. They are well supplied and well managed but it is found that the convenience of customers is better served in the small markets kept by private individuals. The people no longer go to market and carry their provisions home with them. There as here, they prefer to go stores that will deliver the goods for them, and the custom of marketing by telephone is getting to be more and more prevalent. One of the local market buildings has been leased for a steam laundry and another is used as an engine house by the fire department. Parts of other market buildings have been leased as garages, storehouses, etc.

LYONS—The city of Lyons has a large central market building of fireproof construction, covering 38,000 square feet of ground. It was opened in 1859. There are also seventeen smaller markets in different parts of the city.

The central market was built by a real estate and building company. The contract for the building gave to the company all the rent for stalls and auction space for five years, the city guaranteeing an annual minimum income of about $32,000, with the proviso that receipts in excess of $42,000 should be divided equally between the city and the company. The concession to the company was fixed for fifty years, but the city bought the market for $887,000 a year after it was opened.

There are in the building over 200 stalls and a space in the rear of the hall is set apart for auctions, which are held each day. Meat, vegetables and provisions of all kinds are offered for sale at these auctions, and always in wholesale quantities. For the protection of the people who rent stalls in the market, it is provided by law that all products sold at auction must come from outside the city. In proof of this the presentation of a certificate from a railway or steamboat officer is required before goods may be offered for sale. This prevents speculation in food products

by the local dealers. The auctions are always public. They are a great boon to the poorer people as it is possible for a number of families to combine and auction off a bunch of game or fish and divide the expense. This brings within their reach luxuries which they otherwise could not enjoy. Sales at retail are prohibited.

The auctioneer or auctioneers are given by the city a monopoly of the auction market for ten years, during which time the city binds itself not to make any other like contract. They are licensed after making proofs of solvency and they bind themselves to pay to the city in monthly instalments a sum equal to 2% of the total auction sales, which sum cannot be less than 10,000 francs ($1930) a year for one auction stand nor more than 50,000 francs ($9650) for the four auction stands. The auctioneer is forbidden to buy anything at auction for his own business or to have an agent buy for him.

The auction market of Lyons is quite famous; dealers in other cities will often avail themselves of it to get rid of overstocks of provisions.

ENGLAND—In England there are thriving market systems in many cities. The City of Liverpool has wholesale vegetable, fruit and fish markets that are distributing centers for all the surrounding country, to the mutual benefit of producers and consumers. For the year 1911 the Superintendent of Markets reports that the profit on the markets which was applied in relief of the city rate was over $85,000. The Supertendent also reports that the open-air markets held in certain streets which have been in former years and are still well patronized by the public in spite of the discomfort caused by the lack of protection from the weather, may in (1) the course of a few years be crowded out by the progress of public improvements "and with them will disappear the only remaining examples (in Liverpool) of the type of market which commonly existed before modern demands called for greater comfort and convenience."

GLASGOW—The city of Glasgow, Scotland, has

(1) Report of Supt. of Liverpool Markets received March, 1912.

operated for many years an admirable system of public markets for all kinds of produce. Their wholesale fruit and vegetable market is the principal distributing center for the west of Scotland, most of the merchandise being sold there by public auction. In all the Glasgow markets the tendency is to lessen the retail trade carried on and to increase the wholesale. For 1908 the city's profits on the public markets was about $14,000.

URUGUAY—Even from the city of Montevideo in Uruguay, S. A., comes a report that the constant complaint of the high cost of living there has induced the municipal government to establish a public market. The Bureau of Markets fixes the prices, lists of which are posted in conspicuous places. The attendance has been all that the markets could accommodate and the movement has proved a great benefit to the poorer classes.

What can we learn from this view of the conditions in other cities and what should be the direction of our effort here?

In almost all of the cities where there are municipal markets the tendency is found to be to make them centers of wholesale trade,—clearing houses for large districts. The day of the retail public markets in large cities is passing. They do not pay. They do not meet the demands of the customers, who want to market by telephone and must have prompt delivery, —who want the service that the enterprising private retailer is ready to give them. But at the same time, they want lower prices and the retailers must take advantage of every means of giving them lower prices, if they would keep their hold. Many people are trying throughout the country to reduce the cost of food by forming what are called "co-operative associations". The name is very alluring. In many cases these experiments are tried by people without the necessary business experience and it is found that after all, the regular dealers can serve them better; but in the trying of the experiment the regular dealer may have been forced out of business. This is a condition that the dealers should take every means of preventing. Clean markets, food attractively

arranged, and prices as low as they can be put, will hold customers and scare off the co-operative chimaera. The distributing depot that we propose to establish in the Bronx will be one of the means of reducing prices and if the retail dealers will embrace the opportunity which it will offer, they should be able to effect a very material reduction in the cost of food to the people they serve.

In brief, the following are the main features of the plan:

FACTS. Wholesale and retail dealers are necessary parts of the distributing system. Householders nowadays have no cellars for storing quantities of supplies. They live from day to day and the retail dealers must supply them in small quantities at the times they wish.

The City should not establish municipal retail markets and compete with its citizens already in the retail business. The work of selling by retail can be done better by private dealers. Such municipal retail markets have been failures in other cities.

PLAN. To establish a large distributing depot for farm produce, fish and flowers for both wholesalers and retailers, the same to include a cold storage and a canning and preserving plant.

LOCATION. On the waterfront in the south Bronx where it may be reached by boat, rail and car floats.

SALES. To be made by licensed auctioneers.

DELIVERY. By the buyers' wagons or by automobile trucks belonging to the market.

EFFECT. A large distributing depot will reduce the cost of farm produce by cutting out unnecessary handling expenses. It will ensure also a large and steady supply of such products. Because of the lack of supply and high cost there is a marked under-consumption of farm products. The steady supply at moderate prices will result in larger sales and more profits for the dealers, as well as more food for the same money for the consumers.

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